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FACTORS INFLUENCING BUSINESS FAILURE

Utah, Mountain States Region and the United States

1978 - 1985

Part II

Holly S. Southwick, Research Assistant

Introduction

The topic of business failure has become an important issue in recent years, as American businesses have failed at rates higher than at any other time since the Great Depression; and the causes of these failures are of particular interest to business people, creditors, financial lenders, the investment community, lawmakers, and informed consumers. This two-part article, published in the July-August and September 1985 issues of the *Utah Economic and Business Review*, explores the business bankruptcy and business failure statistics and the factors which contributed to the high failure rates of the early 1980s.

Part I provided important definitions pertaining to business bankruptcy and failure; explained the sources of data and the weaknesses of each; discussed the various methods of debt resolution; and finally, provided the bankruptcy and business failure statistics for Utah, the Mountain States Region* and the United States for the period between 1978 and 1985.

Part II explores in greater detail the differences in business failures between regions and states, and discusses the economic, legal, and firm-related factors which contributed to the high rates of business failure in the 1978-84 period. Although these factors are not exhaustive, they will shed some insight into the challenges which faced American businesses during the early 1980s.

Business Bankruptcy and Business Failure Statistics

Two major sources of bankruptcy and business failure data are used in this article – bankruptcy petition filing data collected by the Administrative Office of the United States Courts (Office of the U.S. Courts), and business failure data compiled by the Dun & Bradstreet Corporation (D & B). The Office of the U.S. Courts compiles bankruptcy statistics according to voluntary and involuntary bankruptcy petitions commenced, terminated and pending; while D & B collects data on businesses which have ceased operating because of involvement in court procedures or voluntary actions which result in a loss to creditors. A more detailed explanation of the two sources of business failure data is found in Part I.

*The Mountain States Region includes Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada.

Table 1

Business Bankruptcy Petition Filings for Utah, the Mountain Region and the United States 1978 - 1984

States	Total Filings 1978	Total Filings 1979	Percent Change 1978-1979	Total Filings 1980	Percent Change 1979-1980	Total Filings 1981	Percent Change 1980-1981
Utah	69	94	36.2	728	674.5	942	29.4
Montana	139	23	–83.5	190	726.1	223	17.4
Idaho	220	83	–62.3	468	463.9	374	–20.1
Wyoming	63	7	–88.9	115	1542.9	140	21.7
Colorado	733	109	–85.1	1,104	912.8	1,604	45.3
New Mexico	296	41	–86.1	164	300.0	153	–6.7
Arizona	439	167	–62.0	841	403.6	992	18.0
Nevada	245	65	–73.5	359	452.3	486	35.4
Total Mountain	2,204	589	–73.3	3,969	573.9	4,914	23.8
Total United States	27,867	6,857	–75.4	43,313	531.7	47,621	9.9

	Total Filings 1982	Percent Change 1981-1982	Total Filings 1983	Percent Change 1982-1983	Total Filings 1984	Percent Change 1983-1984
Utah	1,045	10.9	558	–46.6	1,042	86.7
Montana	192	–13.9	271	41.1	216	–20.3
Idaho	421	12.6	615	46.1	667	8.5
Wyoming	243	73.6	368	51.4	447	21.5
Colorado	1,747	8.9	700	–59.9	1,995	185.0
New Mexico	213	39.2	146	–31.5	275	88.4
Arizona	1,312	32.3	1,468	11.9	1,392	–5.2
Nevada	631	29.8	583	–7.6	524	–10.1
Total Mountain	5,804	18.1	4,709	–18.9	6,558	39.3
Total United States	68,477	43.8	58,356	–14.8	63,407	8.7

Note: Data for the remaining eight regions and the states within them are available upon request.

Source: Administrative Office of the United States Courts, "Federal Judicial Workload Statistics," December 31, 1978-1984 (Annual).

Table 2
Business Failures for Utah, the Mountain Region and the United States
1980 - 1983

Regions and States	1980	1981	Percent Change 1980-81	1982	Percent Change 1981-82	1983	Percent Change 1982-1983
Mountain							
Utah	28	155	453.6	147	–5.2	338	129.9
Montana	86	64	–25.6	61	–4.7	106	73.8
Idaho	58	59	1.7	71	20.3	137	93.0
Wyoming	2	2	0.0	31	1450.0	138	345.2
Colorado	133	224	68.4	653	191.5	1,501	129.9
New Mexico	53	80	50.9	217	171.3	163	–24.9
Arizona	16	91	468.8	505	454.9	534	5.7
Nevada	40	82	105.0	183	123.2	196	7.1
Total Mountain Region	416	757	82.0	1,868	146.8	3,113	66.6
Total United States	11,742	16,794	43.0	24,908	48.3	31,333	25.8

Source: The Dun & Bradstreet Corporation, Unpublished data, 1980-1983.

Utah and the Mountain States Region have had high business bankruptcy and business failure rates compared with a number of other states and regions, but the general failure patterns were the same, with two notable exceptions. The exception in the business bankruptcy data was that Utah experienced a 36.2 percent increase in business bankruptcies between 1978-79, when every other state in the nation recorded significant declines (Table 1). The business failure exception was that Utah experienced a 5.2 percent decline in business failures during the 1981-82 period, when the Mountain Region suffered a 146.8 increase, and the United States experienced a 48.3 percent increase (Table 2).

Utah and the United States reached their peaks in the number of business bankruptcy filings in 1982, with 1,045 and 68,477, respectively; while the Mountain Region experienced its high in 1984, with 6,558 filings (Table 1). Utah, the Mountain Region and the United States each experienced their highest number of business failures in 1983 (Table 2). Utah suffered 338 failures, the Mountain Region recorded 3,113, and the United States 31,333.

Differences in Geographic Statistics

Different geographic regions** and parts of the United States have noticeably different business bankruptcy and business failure rates. This difference can partially be attributed to the economic health and business activity of the particular area, either strong or weak. A healthy economy and increased business activity will contribute to the number of business failures because more entrepreneurs are willing to start new businesses, and a certain number of these newly formed businesses are destined to fail. A weak economy with lessened business activity will cause business failures because businesses will have difficulty making a profit and meeting liabilities. Understanding the factors contributing to business failure can be a complex undertaking.

**

New England	Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut
Middle Atlantic	New York, New Jersey, Pennsylvania
East North Central	Ohio, Indiana, Illinois, Michigan, Wisconsin
West North Central	Minnesota, Iowa, Missouri, North Dakota Nebraska, Kansas
South Atlantic	Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida
East South Central	Kentucky, Alabama, Tennessee, Mississippi, Arkansas, Texas, Oklahoma, Louisana
Mountain	Montana, Idaho, Colorada, New Mexico, Arizona, Utah, Nevada, Wyoming
Pacific	Washington, Oregon, California, Hawaii, Alaska

Table 3
Business Bankruptcy Petitions Filed by Region
Percent Change, 1978-1984

Region	Percent Change 1978-79	Percent Change 1979-80	Percent Change 1980-81	Percent Change 1981-82	Percent Change 1982-83	Percent Change 1983-84	Average Annual Percent Change 1978-84	Rank
New England	(81.9)	465.4	(12.7)	38.7	(19.8)	(16.0)	62.3	9
Middle Atlantic	(81.1)	590.5	(6.4)	40.4	(27.3)	3.0	86.5	6
South Atlantic	(74.5)	459.5	3.3	45.1	(18.3)	10.4	70.9	8
East North Central	(67.8)	543.6	(3.3)	59.5	(8.4)	0.2	87.3	4
West North Central	(72.1)	550.1	(5.7)	54.2	(21.9)	31.4	89.3	3
East South Central	(73.3)	505.0	28.0	31.7	(30.8)	9.7	78.4	7
West South Central	(82.3)	521.8	15.0	61.3	9.1	17.7	90.4	2
Mountain	(73.3)	573.9	23.8	18.1	(18.9)	39.3	93.8	1
Pacific	(73.9)	536.4	34.7	40.3	(11.4)	(4.0)	87.0	5
Total U.S.	(75.4)	531.7	9.9	43.8	(14.8)	8.7	84.0	

Source: Administrative Office of the United States Courts, "Federal Judicial Workload Statistics", December 31, 1979-1984 (Annual).

Regional Statistics

Bankruptcy petition filing data collected by the Office of the U.S. Courts, shows that the Mountain Region had the highest increase in the number of bankruptcy petitions filed during the period 1978-1984, with a 93.8 percent average annual increase (Table 3). The West South Central Region came in second with a 90.4 percent increase, and the West North Central Region followed with an 89.3 percent increase. The average annual percent increase in filings for the United States during the seven-year period was 84.0 percent. Each of these three regions is located west of the Mississippi River.

The three areas with the smallest increases in bankruptcy petition filings for the period 1978-1984 were: the New England Region with a 62.3 percent average annual increase; the South Atlantic Region with a 70.9 percent increase; and the East South Central Region with a 78.4 percent increase (Table 3). Each of these three regions is located east of the Mississippi River.

The Mountain Region was also first out of the nine regions when D & B business failure data was analyzed. This time the Mountain Region had the highest increase in business failures between 1980 and 1983, with a 98.5 percent average annual increase over the four-year period (Table 4). This increase far exceeded the South Atlantic Region's 51.4 percent increase, and the West South Central Region's 39.3 percent rise. The average annual percent increase in business failures for the United States during that same four-year period was 39.0 percent. Two of these three regions are located west of the Mississippi River.

Table 4
Dun & Bradstreet Business Failure Data
by Region, 1980-1983
(Percent Change)

Region	Percent Change 1980-81	Percent Change 1981-82	Percent Change 1982-83	Average Annual Percent Increase 1980-83	Rank
New England	19.2	17.5	27.8	21.5	9
Middle Atlantic	35.6	33.2	17.3	28.7	8
South Atlantic	72.3	57.8	24.0	51.4	2
East North Central	35.1	51.5	25.4	37.3	4
West North Central	36.9	51.4	13.6	34.0	7
East South Central	34.8	53.1	15.0	34.3	6
West South Central	16.0	51.1	50.8	39.3	3
Mountain	82.0	146.8	66.6	98.5	1
Pacific	56.4	34.1	15.2	35.2	5
Total U.S.	43.0	48.3	25.8	39.0	

Source: The Dun & Bradstreet Corporation, Unpublished data, 1980-1983.

Table 5
Business Bankruptcy Petition Filings by State
Ranked According to Average Percent Increase in Filings
1978 - 1984

States	Total Filings 1978	Total Filings 1979	Percent Change 1978-1979	Total Filings 1980	Percent Change 1979-1980	Total Filings 1981	Percent Change 1980-1981
1 Wyoming	63	7	−88.9	115	1542.9	140	21.7
2 Hawaii	94	14	−85.1	224	1500.0	249	11.2
3 Vermont	65	8	−87.7	100	1150.0	80	−20.0
4 New Hampshire	108	13	−88.0	159	1123.1	137	−13.8
5 Colorado	733	109	−85.1	1,104	912.8	1,604	45.3
6 Wisconsin	449	85	−81.1	836	883.5	941	12.6
7 Utah	69	94	36.2	728	674.5	942	29.4
8 Oklahoma	618	76	−87.7	587	672.4	481	−18.1
9 Mississippi	259	23	−91.1	178	673.9	319	79.2
10 Montana	139	23	−83.5	190	726.1	223	17.4

States	Total Filings 1982	Percent Change 1981-1982	Total Filings 1983	Percent Change 1982-1983	Total Filings 1984	Percent Change 1983-1984	Net Percent Increase 1978-1984	Average Annual Percent Increase 1978-84
1 Wyoming	243	73.6	368	51.4	447	21.5	1622.2	270.4
2 Hawaii	254	2.0	275	8.3	225	−18.2	1418.1	236.4
3 Vermont	139	73.8	106	−23.7	99	−6.6	1085.7	181.0
4 New Hampshire	213	55.5	175	−17.8	115	−34.3	1024.6	170.8
5 Colorado	1,747	8.9	700	−59.9	1,995	185.0	1007.0	167.8
6 Wisconsin	1,839	95.4	1,726	−6.1	1,951	13.0	917.3	152.9
7 Utah	1,045	10.9	558	−46.6	1,042	86.7	791.2	131.9
8 Oklahoma	999	107.7	830	−16.9	1,057	27.3	684.7	114.1
9 Mississippi	473	48.3	354	−25.2	334	−5.6	679.5	113.3
10 Montana	192	−13.9	271	41.1	216	−20.3	667.0	111.2

Source: Administrative Office of the United States Courts, "Federal Judicial Workload Statistics," December 31, 1978-1984 (Annual).

The areas with the smallest increases in business failures between 1980 and 1983 were: the New England Region with a 21.5 percent average annual increase; the Middle Atlantic Region with a 28.7 percent increase; and the West North Central Region with a 34.0 percent increase (Table 4). Two of these three regions are located east of the Mississippi River.

State Statistics

Individual states within the Mountain Region and west of the Mississippi River also show a tendency to rank high in business failures compared to states in other parts of the United States. Using bankruptcy petition filing data, four of the ten states with the highest average annual percent increase for the period between 1978 and 1984, were in the Mountain Region (Table 5). These states, with their appropriate rankings, were Wyoming (1), Colorado (5), Utah (7), and Montana (10). Adding Hawaii (2) and Oklahoma (8) to the four Mountain Region states, six of the top ten states were west of the Mississippi River.

Five of the ten states with the highest average percent increase in the number of business failures for the period 1980-1983, were in the Mountain Region (Table 6). These states, with their appropriate rankings, were Wyoming (1), Arizona (2), Utah (3), Colorado (5) and Nevada (9). Adding Oregon (7) and Missouri (8) to the five Mountain Region states, seven of the top ten states were located west of the Mississippi River. Wyoming, Utah, New Hampshire and Colorado were found on both lists of the top ten ranking states for bankruptcy filings and business failures.

Factors Contributing to Business Failure

Although it is difficult to pinpoint the exact causes of the high business failure rates of the early 1980s, it is possible to look at conditions which existed during those years to determine those factors which had a general impact.

Edward I. Altman, a leading expert in the area of business failure, believes that a firm's propensity to fail increases with the cumulative effect of several external factors: reduced real economic growth; increased business formation; reduced availability and higher cost of credit; and reduced investor confidence which is reflected in lower stock prices, if the company is publicly traded.[1]

Economic Factors in the 1980s

During the late 1960s and early 1970s, the country enjoyed favorable economic conditions which promoted moderate business growth and a relatively low level of business failure. In fact, in the late 1970s business failures reached their lowest level since 1948. But with the economic downturn of the

Table 6
Dun & Bradstreet Business Failure Data by State
Ranked According to Average Percent Increase in Business Failures
1980 - 1983

States	1980	1981	Percent Change 1980-1981	1982	Percent Change 1981-1982	1983	Percent Change 1982-1983	Average Annual Percent Increase 1980-1983
1 Wyoming	2	2	0.0	31	1450.0	138	345.2	598.4
2 Arizona	16	91	468.8	505	454.9	534	5.7	309.8
3 Utah	28	155	453.6	147	−5.2	338	129.9	192.8
4 New Hampshire	15	11	−26.7	56	409.1	72	28.6	137.0
5 Colorado	133	224	68.4	653	191.5	1,501	129.9	129.9
6 West Virginia	36	136	277.8	241	77.2	259	7.5	120.8
7 Oregon	225	820	264.4	1,174	43.2	1,292	10.1	105.9
8 Missouri	112	176	57.1	551	213.1	682	23.8	98.0
9 Nevada	40	82	105.0	183	123.2	196	7.1	78.4
10 Delaware	17	48	182.4	31	−35.4	56	80.6	75.9

Source: The Dun & Bradstreet Corporation, Unpublished data, 1980-1983.

early 1980s, many companies could not adjust to the weakened economy and the demands associated with prolonged inflation and high interest rates. As a result, the number of bankruptcies and business failures soared; bankruptcies reached a high in 1982 with 68,477 filings (Table 1); and business failures reached a high in 1983 with 31,333 failures, the last year Dun & Bradstreet data are available (Table 2).

The leading economic indicators during the 1980-82 recession showed a weakened economy which was having an adverse effect on American businesses. The following statistics from the *Handbook of Cyclical Indicators*,[2] published by the U.S. Department of Commerce, Bureau of Economic Analysis, show that:

- The average interest rate (prime rate) charged by banks on short-term loans made to their most credit-worthy business customers reached a high in 1981 of 18.87 percent.
- The average rate of interest (discount rate) paid by the U.S. Government on new issues of 91-day (short-term) Treasury bills reached a high in 1981 of 14.08 percent.
- The average annual yield on long-term Treasury bonds reached a high in 1981 of 12.87 percent.
- Nationwide unemployment reached a post-depression high in 1982 with an average annual rate of 9.7 percent. Utah's unemployment reached a high in 1983, with an average annual rate of 9.2 percent.[3]
- The index of United States new private housing units authorized by local building permits reached a low in 1981 of 80.0 (1972=100).
- The number of United States new private housing units started reached a low in 1982 of 1,061,000 units.

Business Formation

The growth in new business formation can serve as an indicator of the strength of an economy and of the direction the economy will take in the future. When business conditions are favorable and forecasts about the future are optimistic, investment in new businesses will flourish. As a result, the business formation statistic can be used to analyze a particular economy, whether it be on a national or local level.

Since most new businesses are not required to register with a government agency, exact business formation statistics are not available; as a result, other statistics must be used for purposes of analysis. The Dun & Bradstreet Corporation provides two data series – new business incorporations and new business startups. Since both series tend to parallel basic trends in new business growth, the number of new business incorporations for each state will serve as a proxy for analysis in this article.

Dun & Bradstreet compiles the new business incorporations statistic from data obtained from the Secretary of State in each state. The statistic measures the number of domestic stock profit companies which receive corporate charters under the general business incorporation laws of the 50 states and the District of Columbia. This measure includes completely new businesses that are incorporated, existing businesses that are changed from a noncorporate form to a corporate form of organization, existing corporations which are issued certificates of authority to operate in another state, and existing corporations transferred to a new state.[4]

Area Comparisons

The new business incorporations statistic reflects economic growth, as well as business and entrepreneurial optimism. It is also believed that increases in new business formation will lead to increases in business failures a couple of years later. The number of new business incorporations for the United States, the Mountain Region, and Utah will be analyzed with business bankruptcy and failure data to determine if this relationship exists, and if it was an important factor during the 1978-84 period.

National Statistics

The United States experienced an average 5.0 percent per year increase in new business incorporations over the seven-year period between 1978 and 1984 (Table 7); however, the growth significantly varies between years. The largest number of new business incorporations (634,991) was recorded in 1984. This was a 5.8 percent increase over 1983's 600,400 (Tables 7 and 8). The low in new business incorporations (477,827) was recorded in 1978. The highest growth in new incorporations occurred in 1979, with a 9.8 percent increase over the previous year, and the lowest growth occurred in 1982, with a 2.5 percent decline from 1981 (Tables 7 and 8).

Table 7
New Business Incorporations by Region
Percent Change, 1978-1984

Region	Percent Change 1978-79	Percent Change 1979-80	Percent Change 1980-81	Percent Change 1981-82	Percent Change 1982-83	Percent Change 1983-84	Average Percent Change 1978-84	Rank
New England	6.6	7.3	11.1	(5.9)	8.5	11.5	6.5	2
Middle Atlantic	4.5	2.7	3.6	(0.7)	10.0	6.8	4.5	6
South Atlantic	10.0	5.5	9.3	(0.7)	9.8	9.0	7.2	1
East North Central	7.5	2.9	5.4	(1.5)	5.4	7.7	4.6	5
West North Central	6.7	(6.3)	5.4	(8.0)	9.5	2.2	1.6	9
East South Central	(3.9)	6.1	6.4	(2.4)	7.9	4.9	3.2	8
West South Central	24.9	(4.8)	19.3	7.1	(6.6)	(9.3)	5.1	4
Mountain	4.9	(1.3)	21.9	(7.3)	7.1	7.6	5.5	3
Utah	(5.4)	(2.5)	7.3	(9.5)	11.6	(1.0)	0.1	na
Pacific	16.6	1.0	6.4	(10.8)	3.2	8.5	4.2	7
Total United States	9.8	1.7	9.0	(2.5)	5.9	5.8	5.0	

Source: Economic Analysis Department, The Dun & Bradstreet Corporation, "Current Economic Indicators," 1978-1984.

Table 8
New Business Incorporations for the Mountain Region and the United States
1978 - 1984

Mountain	1978	1979	1980	1981	1982	1983	1984
Utah	4,069	3,851	3,755	4,030	3,649	4,074	4,032
Montana	1,529	1,582	1,487	1,923	1,609	1,470	1,560
Idaho	1,959	1,882	1,813	1,912	1,742	1,794	1,716
Wyoming	1,360	1,321	1,507	1,679	1,420	1,171	1,069
Colorado	8,862	10,013	10,234	12,523	11,839	12,814	14,160
New Mexico	2,590	3,059	2,450	2,588	2,455	2,475	2,878
Arizona	8,056	8,356	8,342	9,944	9,558	10,656	12,102
Nevada	5,996 E	6,000 E	6,000 E	8,769	7,939	8,598	8,791
Total Mountain	34,391	36,064	35,558	43,368	40,211	43,052	46,308
Total U.S.	477,827	524,565	533,520	581,661	566,942	600,400	634,991

E - Estimated

Source; Economic Analysis Department, The Dun & Bradstreet Corporation, "Current Economic Indicators," 1978-1984.

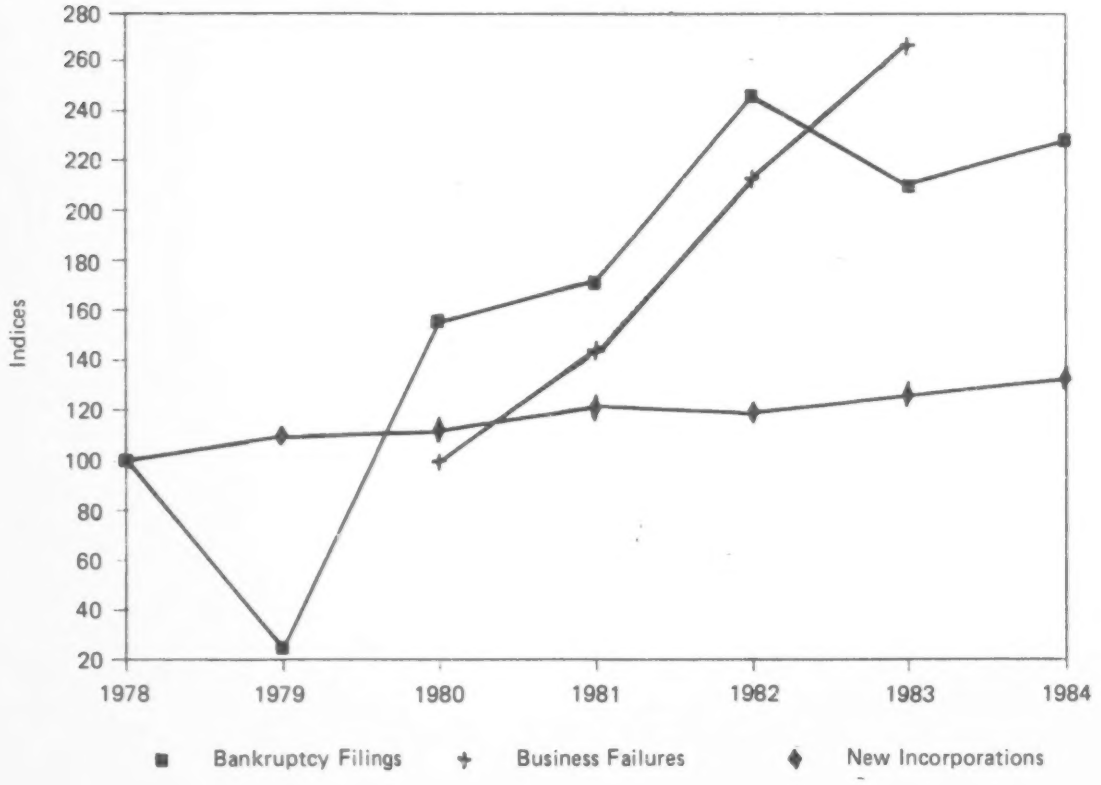
When looking strictly at the new incorporation numbers, one might theorize that the high bankruptcy and business failure numbers in 1980, 1981, 1982, and 1983, were the result of the large growth, 9.8 percent, in new incorporations between 1978 and 1979. In addition, it seems plausible to forecast that business failure in 1986 through 1988 may be higher because of the large number of new incorporations in 1984, but it appears that these theories may not be correct. It can be seen by plotting U.S. bankruptcy filings, business failures, and new business incorporations (Graph 1), that new incorporations do not show a significant relationship with business failures, but only that their growth is relatively stable. A more in-depth statistical analysis, over a longer period of time, may show a better relationship between business formation and business failure, but this analysis suggests that the new incorporation data is useful only as a gauge of the economy and not as an obvious cause or predictor of business failure.

Regional Statistics

The Mountain Region's growth in new business incorporations over the seven-year period between 1978 and 1984 averaged 5.5 percent per year, or 0.5 percent higher than the United States (Table 7). The Mountain Region experienced its peak year in 1984, with 46,308 new business incorporations, a 7.6 percent increase from 1983's 43,052 (Tables 7 and 8). The smallest number was recorded in 1978, with 34,391 incorporations. The highest growth in new incorporations occurred in 1981, with a 21.9 percent growth over 1980. The year 1982 experienced the lowest growth in new incorporations with a 7.3 percent decline from 1981.

The Mountain Region was ranked third when evaluated according to the average annual percent increase in new business incorporations, but it was sixth out of nine regions when they were evaluated

Graph 1
United States Business Bankruptcy Filings,
Failures and New Business Incorporations 1978 - 1984,
1978=100, 1980=100 for Failures



according to the cumulative number of business incorporations for the period 1978-84. The South Atlantic Region was ranked first with an average annual percent increase of 7.2 percent over the period, and the New England Region was ranked second with an average growth of 6.5 percent (Table 7). It is interesting to note that the New England Region had the lowest bankruptcy and business failure rates for the period, and was also ranked second for the highest growth in new business incorporations. This fact likewise appears to weaken the strength of the increased business formation/ higher business failures theory.

The growth in new business incorporations for the Mountain Region has been experienced primarily by three of the eight Mountain states. Colorado had the highest growth with an average 8.5 percent per year increase in new incorporations between 1978 and 1984 (Table 9). Nevada followed, with an average 7.9 percent increase, and Arizona ranked third with an average 7.3 percent increase. New Mexico (2.6 percent) and Montana (1.3 percent) experienced only moderate average growth, while Utah's new incorporation growth remained constant with an average 0.1 percent increase. Idaho (−1.8 percent) and Wyoming (−3.2 percent) experienced a decline in the growth of new business incorporations.

The causal relationship between incorporations and failures for the Mountain Region also appears to be insignificant. Although the Mountain Region has enjoyed healthy growth in new incorporations between 1978 and 1984, the rising trend does not appear to have substantially influenced the failure rate for the period (Graph 2).

Utah Statistics

Utah's new business incorporations averaged a modest 0.1 percent per year increase over the seven-year period between 1978 and 1984 (Table 9). Utah had its peak year in 1983 with 4,074 new business incorporations, a 11.6 percent increase over the 1982

Graph 2
Mountain Region Business Bankruptcy Filings, Failures and New Business Incorporations 1978 - 1984, 1978=100, 1980=100 for Failures

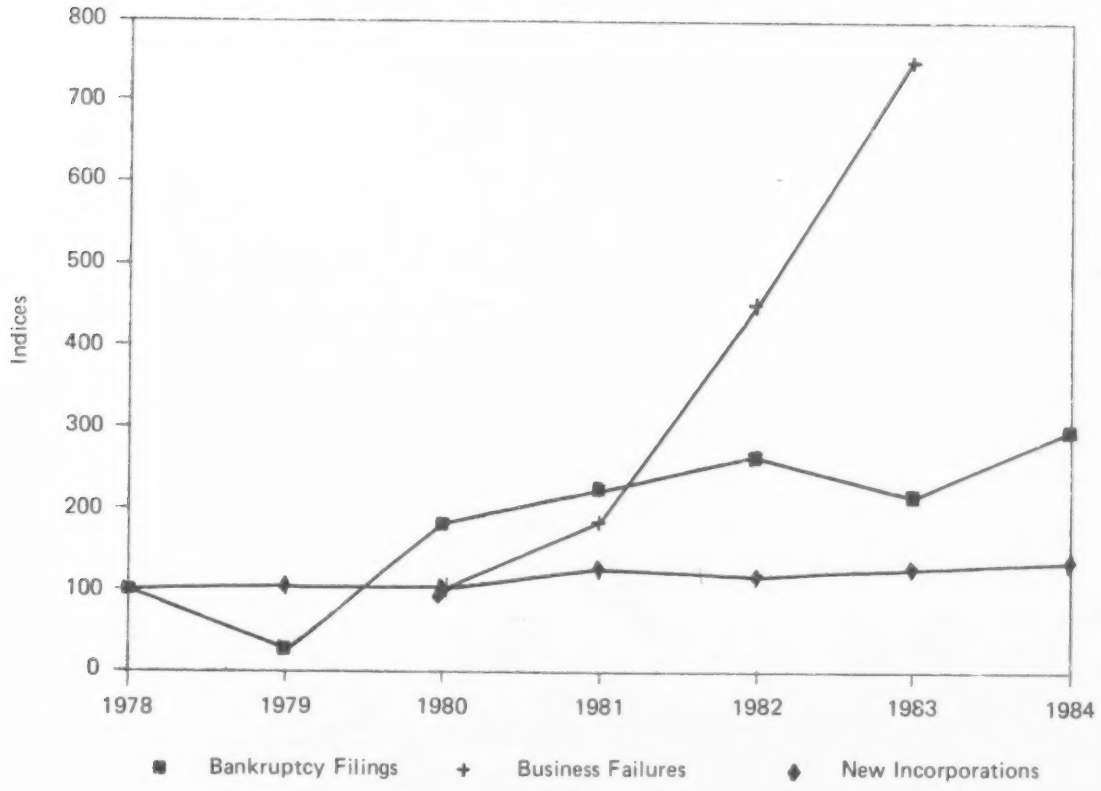


Table 9
New Business Incorporations by Individual States
in the Mountain States Region
Percent Change, 1978-1984

States	Percent Change 1978-79	Percent Change 1979-80	Percent Change 1980-81	Percent Change 1981-82	Percent Change 1982-83	Percent Change 1983-84	Average Annual Percent Change 1978-84	Rank
Utah	(5.4)	(2.5)	7.3	(9.5)	11.6	(1.0)	0.1	6
Montana	3.5	(6.0)	29.3	(16.3)	(8.6)	6.1	1.3	5
Idaho	(2.4)	(3.7)	5.5	(8.9)	3.0	(4.3)	(1.8)	7
Wyoming	(2.9)	14.1	11.4	(15.4)	(17.5)	(8.7)	(3.2)	8
Colorado	13.0	2.2	22.4	(5.5)	8.2	10.5	8.5	1
New Mexico	18.1	(19.9)	5.6	(5.1)	0.8	16.3	2.6	4
Arizona	3.7	(0.2)	19.2	(3.9)	11.5	13.6	7.3	3
Nevada	0.1	0.0	46.2	(9.5)	8.3	2.2	7.9	2

Source: Economic Analysis Department, The Dun & Bradstreet Corporation, "Current Economic Indicators," 1978-1984.

low of 3,649 (Table 8). Utah's largest growth in new incorporations was in 1983 with an 11.6 percent increase from the previous year, while the lowest growth was in 1982 with a decline of 9.5 percent from 1981. Utah incorporations tended to fluctuate from year to year. The years 1979, 1980, 1982, and 1984 recorded declines in growth, while 1981 and 1983 showed healthy increases (Table 9).

Utah ranks 45th when evaluated according to the average annual percent increase in new business incorporations between 1978 and 1984; however, it rises to 35th when the states are ranked according to the cumulative number of new incorporations. The District of Columbia, Oklahoma, and New Hampshire are the highest ranking states in the highest percent increase in new business incorporations, respectively. It should be noted, however, that large percentage increases do not mean the largest number of incorporations. For example, the District of Columbia is ranked first in the highest percentage increase in new incorporations, but it is ranked 46th in the cumulative number of incorporations for that period. Not surprisingly, New York, California, and Florida are the top three states for the highest cumulative number of new incorporations.

The relationship between new business incorporations and business failures likewise appears to be insignificant for Utah. Utah's low growth in new incorporations has remained constant over the seven-year period, while business bankruptcies and failures have risen and fallen at significant levels (Graph 3).

Employment Growth

The employment growth statistic is another indicator of economic health and business activity, and may serve as a better measure of economic growth than new business incorporations for the Mountain Region and Utah. When economic conditions are favorable and profits are rising, businesses will expand their operations or new businesses will be formed, both providing new employment opportunities. The Mountain Region and Utah experienced significant gains in employment growth in the late 1970s and the early 1980s. According to data published by the U.S. Small Business Administration, Utah, the Mountain Region, and the Western United States all have experienced high employment growth since the mid-1970s.

Job generation rates by census region for the period 1976 through 1982, show the Mountain Region and the Western United States leading other areas of the nation. While the nation was enjoying a 15.6 percent increase in job generation for the seven-year period, the Mountain Region led the nation with a 38.9 percent increase. Following the Mountain Region came the West South Central Region with a 34.6 percent increase, and the Pacific Region with a 26.4 percent rise (Table 10).

Graph 3
Utah Business Bankruptcy Filings,
Failures and New Business Incorporations 1978 - 1984,
1978=100, 1980=100 for Failures

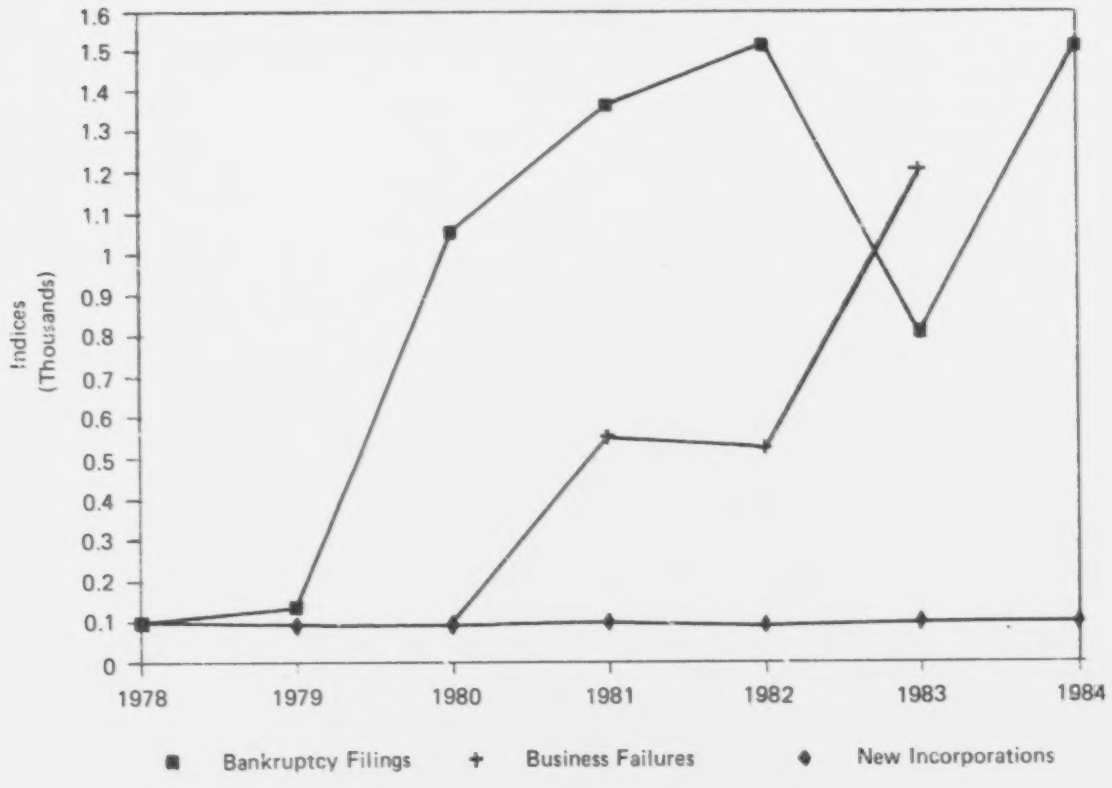


Table 10
Job Generation by Census Region and Employment Size of Firm
1976 - 1982 (Percent)

			Employment Size of Firm					
Region	Total	Rank	0-19	20-99	100	100-499	500	500+
New England	12.7	6	25.5	7.6	17.0	6.2	13.8	11.5
Middle Atlantic	4.3	9	19.9	2.5	11.9	-0.8	8.1	0.0
East North Central	6.5	8	17.4	4.6	11.4	4.3	9.4	3.9
West North Central	15.6	5	18.8	10.4	15.3	11.5	14.3	17.2
South Atlantic	17.6	4	33.8	16.1	25.7	12.8	22.0	12 .8
East South Central	11.3	7	17.3	9.7	14.0	9.7	12.8	9.8
West South Central	34.6	3	44.8	33.9	39.5	25.3	35.7	33.4
Mountain	38.9	1	47.5	30.1	40.4	35.8	39.3	38.4
Pacific	26.4	3	48.4	22.5	36.6	21.0	32.6	19.4
U.S. Total	15.6		29.3	13.1	22.0	10.7	18.9	12.2

Source: The State of Small Business: A Report of the President, U.S. Small Business Administration, March 1984, p.32.

The Mountain Region not only had the highest total job generation increases for the 1976-82 period, but they were also either first or second in employment growth by firm size. This means that businesses of all sizes were enjoying favorable growth during the period (Table 10). The Mountain Region was ranked second, below the Pacific Region, for the 0-19 employee category, with 47.5 percent growth for the seven-year period; and was ranked second, below the West South Central Region, in the 20-99 employee category, with 30.1 percent growth. The Mountain Region was ranked first in the greater than 100 employee category, with 40.4 percent growth, and was also first in the greater than 500 employee category, with 39.3 percent growth.

The State of Utah was ranked second in the nation in employment growth during the seven-year period between 1976 and 1982, with a 54.0 percent increase (Table 11). The state was ranked second for the two-year period between 1976 and 1978, with a 32.5 percent increase, and was ranked fifth for the two-year period between 1978 and 1980, with a 12.2 percent increase. The growth remained high in the 1980-82 two-year period, but the growth and rank continued to decline. Utah was ranked 10th for the 1980-82 period, with 3.7 percent growth.

It appears that employment growth statistics serve as a better indicator of economic growth and business activity for the Mountain Region and Utah. If that is true, it may be that significant increases in employment for various periods of time may result in a higher number of business failures two to three years later. It seems reasonable to suggest that the high employment growth of the late 1970s and early 1980s had some impact on the high rates of business failure in the early 1980s. More in-depth statistical analysis may bear this out.

Business Borrowing Costs

The early 1980s were plagued with high interest rates and unrestrained inflation, and this resulted in a number of financial difficulties for American businesses. Many companies found it difficult to generate profits high enough to make payments on loans they had incurred, while others borrowed huge sums of money at high rates of interest, expecting to repay the loans with dollars deflated by the rising inflation. Problems also resulted from companies borrowing on a short-term basis because they expected interest rates to fall and feared being locked into loans with a high rate of interest. A risk associated with short-term borrowing is that the company may not have loans renewed if the financial position of the firm is deteriorating, or if availability of loanable funds is restricted. Short-term borrowing is also more expensive.

Table 11
States with the Largest and Smallest Employment Growth
1976-1982 and Related Time Periods

State	1976-1982	1976-1982 Rank	1976-1978	1976-1978 Rank	1978-1980	1978-1980 Rank	1980-1982	1980-1982 Rank
Wyoming	62.5	1	36.1	1	13.9	3	4.9	8
Utah	54.0	2	32.5	2	12.2	5	3.7	10
New Mexico	46.5	3	31.2	4	12.0	6	-.3	28
Arizona	41.4	4	15.2	9	14.7	1	7.0	4
Nevada	41.1	5	15.5	7	14.6	2	6.7	5
Delaware	3.2	47	.2	50	1.8	45	1.3	20
Indiana	3.2	48	8.2	34	.9	49	-5.4	47
West Virginia	2.9	49	7.1	39	-1.9	51	-2.0	38
New York	2.3	50	.1	51	.7	50	- 1.5	19
Rhode Island	2.1	51	2.2	48	2.5	43	-2.5	43

Source: *The State of Small Business: A Report of the President*, U.S. Small Business Administration, March 1984, p.33.

The strained business climate especially hurt smaller and less-established businesses. When interest rates are high and credit is tight, lenders tend to favor larger, more established businesses, thus leaving newer and smaller companies with inadequate sources of financing. As a result, these smaller companies are left with insufficient funds to carry them through short business recessions or temporary cash shortages, and this ultimately leads to a higher failure rate among this size company.

Economic Factors Conclusion

The weakened economy of the early 1980s contributed to the high number of business failures of that period. Increased business formation does not appear to significantly contribute to the number of business failures; however, high growth in employment appears to have some correlation, especially in the Mountain Region and Utah. The high interest rates and rising inflation of the early 1980s also made it difficult for many businesses to make a return high enough to allow them to continue operating. High borrowing costs especially hurt smaller, less-established firms.

Legal Factors Influencing Business Failure

Some experts in the area of business failure partially attribute the high business bankruptcy and failure rates of the early 1980s to two recent legal developments – the Bankruptcy Reform Act of 1978, which significantly reformed formal bankruptcy procedures, and the United States Supreme Court approval of attorney advertising in routine areas.

Bankruptcy Reform Act of 1978

The experts who believe the Bankruptcy Reform Act of 1978 had a major impact on the increased bankruptcies of the early 1980s, reason that the new Code provides benefits to businesses and consumers which had not existed prior to the reform, and that these new provisions also decreased some of the stigma associated with filing for bankruptcy. The bankruptcy filing data, and to a lesser extent the business failure data, tend to show that the new Code did contribute to recent increases in business bankruptcies and failures.

The Bankruptcy Reform Act of 1978 went into effect in October 1979. According to United States bankruptcy filing data, business bankruptcy petition filings declined 75.4 percent from 27,867 filings in 1978, to 6,857 in 1979 (Table 1). The bankruptcy filings in 1980 dramatically increased by 531.7 percent to 43,313. Mountain Region statistics showed a similar trend in filings; however, Utah's data did not show the sharp 1979 drop (Table 1). It appears that U.S. and Mountain Region bankruptcy filers were considering changes in the Bankruptcy Code in making bankruptcy decisions, while Utah filers did not seem to be as influenced by the changes the new law offered.

Although D & B business failure data showed a rise in the number of 1979 failures, contrary to the trend in business bankruptcies, the high increases experienced in 1980 were similar to those of the bankruptcy filings (Table 12). In 1979, the failure rate rose 14.3 percent, to 7,564 from 6,619 failures in 1978. In 1980, there were 11,742 business failures, a 55.2 percent increase over 1979's data. Although there is some variance in pattern between the bankruptcies and the failures, the Code likely had the same impact on business failures, especially in 1980. Dun & Bradstreet business failure data for the Mountain Region and Utah are not analyzed prior to 1980.

The trends in the Office of the U.S. Courts bankruptcy petition filing data, and to a lesser extent the D & B business failure data, show that the Bankruptcy Reform Act of 1978 may have had a considerable impact on the increased number of business bankruptcies and failures for that period.

Attorney Advertising

A number of cases have dealt with the issue of attorney advertising, but the most significant case and the one which some believe may have impacted the business failure rates of the 1980s was John R. Bates and Van O'Steen v. State Bar of Arizona, 433 US 350 (1977). In this case, the United States Supreme Court held that the blanket suppression of attorney advertising violated the free speech clause of the First Amendment. As a result, advertising the prices of "routine" legal services such as divorce, adoption, and bankruptcy became an accepted practice.

The attorney advertisements in the area of business bankruptcy which resulted from the Bates ruling, do not convincingly support the belief that the ruling had a major impact on business bankruptcy

Table 12
Dun & Bradstreet Business Failure Data
1970-1983

Year	Number of Failures	Total Failure Liabilities (000)	Failure Rate per 10,000 Listed Concerns	Average Liability per Failure
1970	10,748	1,187,754	44	175,638
1971	10,326	1,916,929	42	185,641
1972	9,566	2,000,244	38	209,099
1973	9,345	2,298,606	36	245,972
1974	9,915	3,053,137	38	307,931
1975	11,432	4,380,170	43	383,150
1976	9,628	3,011,271	35	312,762
1977	7,919	3,095,317	28	390,872
1978	6,619	2,656,006	24	401,270
1979	7,564	2,667,362	28	352,639
1980	11,742	4,635,080	42	394,744
1981	16,794	6,955,180	61	414,147
1982	24,908	na	89[p]	na
1983	31,333	na	na	na

p - preliminary

na - not available

Source: Rowena Wyant, "The 1981 Dun & Bradstreet Business Failure Record," The Dun & Bradstreet Corporation, 1983, p. 2, and unpublished data.

filings. Newspaper ads in the Salt Lake City area following the 1977 ruling, and a month following the October 1979 implementation of the Bankruptcy Reform Act of 1978, did not show an inordinate number of advertisements which would have been especially persuasive to those considering filing for bankruptcy. This also held true in the first month of 1982, the year bankruptcy filings soared their highest.

Legal Conclusion

By analyzing business bankruptcy and business failure data with recent legal developments in areas pertaining to bankruptcy, it becomes clear that the Bankruptcy Reform Act of 1978 has had an important impact on the business failures of the last five years, especially bankruptcy filings, while the attorney advertising issue may have had only a minor effect.

Firm Related Factors Contributing to Business Failure

Internal factors relating to a business can have a significant impact on whether it will succeed or whether it will fail leaving unpaid liabilities. These characteristics fall into two major categories — business characteristics and management.

Characteristics relating to the business entity include: the number of years the business has been in operation, the size and type of business and the industry it is in, the adequacy of the company's original capitalization and the types and amounts of subsequent cash requirements, the adequacy of the company's accounting system and the manager's ability to maintain and understand these financial records; and the company's competitive edge against others in the same market.

Those characteristics which relate to business management are: the experience and expertise of management, the company's marketing effectiveness, the internal control mechanisms to prevent fraud and theft, and the determination of the owner/manager to make a successful enterprise.

Business Characteristics

The number of years a business has been operating tends to significantly affect its likelihood for success or failure. Dun & Bradstreet has discovered that during the 12-year period between 1970 and 1981, approximately 55 percent of business failures occurred within the first five years of operation (Table 13). Few firms fail in the first year, but thereafter the risk of failure increases significantly for the second year and reaches a peak in the third year. After the third year the failure rate decreases with additional experience. During this 12-year period, about 25 percent of the failed businesses were between six and ten years old, and about 20 percent of the failures were over ten years old (Table 13).

Table 13
Dun & Bradstreet Failure Age Trend Data
1970-1981

Year	Percentage in Business 5 Years or Less	Percentage in Business 6 to 10 Years	Percentage in Business Over 10 Years
1970	54.9	22.7	22.4
1971	54.2	22.2	23.6
1972	55.7	22.4	21.9
1973	57.0	22.4	20.6
1974	59.9	20.8	19.3
1975	57.4	22.7	19.9
1976	54.8	26.0	19.2
1977	53.1	27.5	19.4
1978	53.2	27.4	19.4
1979	54.5	27.0	18.5
1980	53.6	28.1	18.3
1981	49.1	30.7	20.2
Average	54.8	25.0	20.2

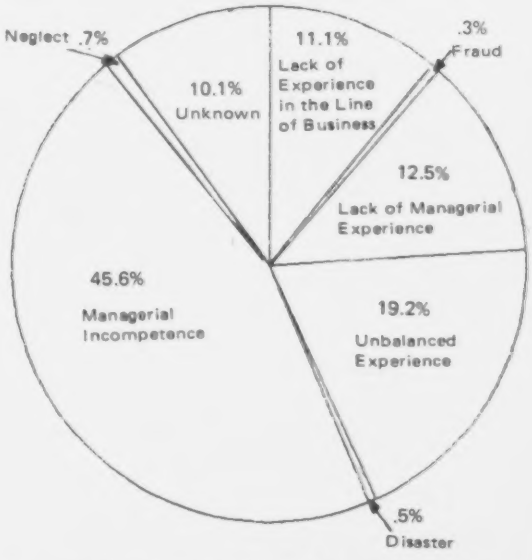
Source: Rowena Wyant, "The 1981 Dun & Bradstreet Business Failure Record," The Dun & Bradstreet Corporation, 1983, p. 11.

It has also been found that a majority of business failures tend to involve small-scale operations with less than 20 employees and sales of $100,000 or less per year. These firms traditionally suffer from inexperienced management, inadequate capital, and more established competition. When business growth is slow and interest rates are high, these businesses suffer the most because there is no margin for error or inefficiency.[5]

Management

Factors relating to company management can also have a significant impact on the success or failure of the business. Dun & Bradstreet attributes most of the cause of business failure to managerial weakness. Other causes it names, in order of significance, are neglect, disaster, and fraud (Chart 1).[6]

Chart 1
D & B Business Failure Causes in 1981



Source: Rowena Wyant, "The 1981 Dun & Bradstreet Business Failure Record," The Dun & Bradstreet Corporation, 1983, p. 12.

In an analysis of 16,794 business failures in 1981, Dun & Bradstreet classified opinions of informed creditors and information in D & B reports to determine the main causes of business failure. General managerial weakness comprised 88.4 percent of the total failure causes. This general category was broken down into four areas, and each was assigned its appropriate percentages: managerial incompetence

accounted for 45.6 percent; unbalanced experience (defined as management experience not well rounded in sales, finance, purchasing, and production), accounted for 19.2 percent; lack of managerial experience was the cause of 12.5 percent; and lack of experience in the line of business was responsible for 11.1 percent.[7]

Managerial weakness includes the failure to anticipate and adjust to economic recessions and unfavorable industry trends. Case studies have shown that financial difficulties are usually the result of a series of errors, misjudgments, and other interrelated weaknesses which can be attributed directly or indirectly to management.[8]

In 1979, Dun & Bradstreet found that a rising number of entrepreneurs either had no previous experience in management or in the particular line of business they were in. This was true in most types of operations, but was especially noticeable among retailers. It was discovered that over 19 percent of retailers ventured into unfamiliar lines, and over 17 percent had no managerial experience or training.[9]

Management can also significantly affect the number of business failures by being overly concerned about short-term profits, casual about declining productivity, unwilling to quickly resolve labor disputes, and willing to leave important decision-making up to one individual. In addition, many business failures result from managers refusing to admit that problems exist within their company. Often managers will make excuses for lagging sales or cash flow difficulties instead of recognizing that there are serious problems and seeking help.[10]

Business Characteristics Conclusion

Individual characteristics of the business and business management can significantly influence the firm's propensity to fail. New and smaller businesses tend to have more difficulty competing, and also find it more difficult to weather difficulties arising from short-term economic problems or cash flow difficulties. Dun & Bradstreet attributes most of the causes of business failure to problems associated with weak management.

Conclusion

This article has discussed three major areas in an attempt to discover the causes of the high business failure rates of the early 1980s. These areas included economic growth and decline, legal developments in areas pertaining to bankruptcy, and individual firm-related factors. Although it is clear that each of these areas influenced business failure in some way, it is not clear what specific factors actually caused the high failure rates, especially between different states and regions of the United States. Additional research is needed to determine if such specific factors exist.

Endnotes

[1]Julius W. Allen, "Business Failure: A Review of the Concept and Its Significance in the American Economy." The Library of Congress Congressional Research Service, Report No. 81-195 E, September 16, 1981, p. 8.

[2]Bureau of Economic Analysis, U.S. Department of Commerce, *Handbook of Cyclical Indicators*, 1984, pp. 78, 82, 99, 101.

[3]Utah Department of Employment Security, *Utah Annual Report 1983, Volume III, Utah Labor Market Information*, August 1984, p. 9.

[4]*Handbook of Cyclical Indicators*, 1984, p. 21.

[5]Alexander L. Taylor III, "The Growing Bankruptcy Brigade," *Time*, October 18, 1982, p. 91.

[6]Rowena Wyant, "The 1981 Dun & Bradstreet Business Failure Record," The Dun & Bradstreet Corporation, 1983, p. 12, 13.

[7]Wyant, p. 12.

[8]Eugene F. Brigham, *Financial Management Theory and Practice*, The Dryden Press, Chicago, 1982, p. 762.

[9]Joseph W. Duncan, *Private Sector Data on Business Failure*, The Dun & Bradstreet Corporation, 1983, p. 34.

[10]Richard Greene with Aaron Bernstein, "Congratulations, You're Bankrupt," *Forbes*, March 15, 1982, p. 115.

Utah Business Statistics

UTAH DATA	July 1985	July 1984	% Change from Year Ago	12 Month Average 1985	12 Month Average 1984	% Chg.
Total Personal Income (seasonally adjusted)(mil. of dol.)(qtly.)	na	16,225	na	na	15,498.6	na
New Corporations (no.)	319	460	-30.7	444.5	496.3	-10.4
New Cars, Truck and Motorhome Sales (no.)	na	6,891	na	na	6,189.8	na
Agriculture						
Average Prices Recorded by Farmers (dol.):						
Beef Steers and Heifers (cwt)(thous.)	50.80	62.10	-18.2	57.9	57.2	1.2
Lambs (cwt)	67.50	56.40	19.7	60.8	52.3	16.1
Milk Wholesale (cwt)	11.10	12.20	-9.0	12.8	12.9	-0.8
Alfalfa Hay, Baled (per ton)(mid-month price)	77.00	78.00	-1.3	74.4	82.6	-9.9
Cattle Slaughtered (live weight)(thous. of lbs.)	3,259.7	3,136.0	3.9	3,144.1	2,695.7	16.6
Construction						
Total Construction[1] (thous. of dol.):	181,400	160,000	13.4	125,191.7	143,491.7	-12.8
Residential	90,400	66,600	35.7	64,183.3	66,733.3	-3.8
Nonresidential	56,200	48,000	17.1	37,500.0	38,400.0	-2.3
Public Works and Utilities	34,800	45,500	-23.5	23,508.3	36,333.3	-35.3
Total Permit Construction[2](thous. of dol.):	1154,556.6	169,249.5	-8.7	117,110.0	115,499.0	1.4
Residential	52,320.6	90,444.7	-42.2	57,277.2	64,299.2	-10.9
Nonresidential	84,208.1	61,609.8	36.7	45,778.4	36,470.3	25.5
Additions, Alterations and Repairs	18,027.9	17,195.0	4.8	14,054.4	14,729.6	-4.6
New Dwelling Units (no.)	1,033	2,187	-52.8	1,341.7	1,462.4	-8.3
Employment						
Civilian Labor Force (thous.)	745.5	726.3	2.6	735.8	705.8	4.3
Total Employed Persons	702.9	682.1	3.0	688.4	654.9	5.1
Unemployed Persons	42.6	44.3	-3.8	47.5	50.9	-6.8
Percent Total Labor Force	5.7	6.1	-6.6	6.5	7.2	-10.8
Employees on Nonagricultural Payrolls (thous. of jobs):	619.9	600.1	3.3	616.9	587.1	5.1
Manufacturing	96.1	95.1	1.1	95.9	91.3	5.1
Mining	9.5	11.6	-18.1	10.9	13.9	-21.3
Contract Construction	38.5	37.9	1.6	36.6	32.2	13.9
Transportation, Communication and Utilities	36.9	36.7	0.5	36.6	36.4	0.6
Wholesale Trade	36.0	35.0	2.9	35.5	34.5	3.0
Retail Trade	111.7	106.5	4.9	110.1	102.9	7.0
Finance,[3] Insurance and Real Estate	31.2	30.1	3.7	30.7	29.0	5.6
Services[3]	130.1	120.9	7.6	127.0	117.0	8.5
Federal Government[4]	39.3	38.0	3.4	38.3	37.1	3.3
State Government[4]	33.1	33.2	-0.3	35.3	34.8	1.5
Local Government[4]	57.5	55.1	4.4	60.1	58.2	3.3
Average Weekly Hours:						
Manufacturing	39.4[r]	39.4	0.0	40.0	40.1	-0.4
Mining	43.0[r]	40.7	5.7	44.4	42.3	4.8
Contract Construction	37.6[r]	39.3	-4.3	38.1	37.8	0.6
Wholesale Trade	35.8[r]	37.7	-5.0	36.2	37.5	-3.3
Retail Trade	29.4[r]	29.8	-1.3	28.8	29.0	-0.8
Amount of Unemployment Compensation (thous. of dol.)	5,784.8[p]	4,243.9	36.3	6,715.7	5,989.0	12.1
Finance						
Savings, Savings and Loan Association (mil. of dol.)	2,398.7	2,043.5	17.4	2,292.8	1,930.7	18.8
Tax Collections by the State of Utah (thous. of dol.):						
Total Tax Collections	38,234.4	31,720.9	20.5	121,776.9	110,334.9	10.4
Sales and Use Tax	6,044.8	6,425.9	-5.9	45,036.9	40,151.8	12.2
Motor Fuel Tax	5,589.6	4,675.4	19.6	7,521.0	5,903.5	27.4
Individual Income Tax	16,213.9	11,805.9	37.3	36,749.4	32,587.5	12.8
Corporation Franchise Tax	2,810.7	2,472.5	13.7	4,459.1	3,907.3	14.1
Production						
Net Electric Power Utilized (mil. of kwh)	1,168.5	1,206.6	-3.2	1,109.1	1,140.2	-2.7
Crude Oil to Refineries (thous. of bbls.)	na	4,584.4	na	na	4,269.2	na
Crude Oil (thous. of bbls.)	na	3,220.3	na	na	2,717.6	na
Natural Gas (mil. of cu. ft.)	na	14,429.8	na	na	10,157.5	na
Coal (thous. short tons)	935	922	1.4	969.6	1,025.3	-5.4
Copper (thous. metric tons) (last issue containing copper data)						
Tourism/Travel						
Air Passengers (total no. on and off)(S.L. Int'l. Airport)	831,444	663,398	25.3	705,140.2	592,114.1	19.1
Highway Traffic Count Across State Lines	51,402	47,184	8.9	34,559.1	34,188.8	1.1
Transient Room Taxes (thous. of dol.)	39.0	9.6	306.3	413.0	343.6	20.2
Visits, State, Nat'l. Parks, Monuments (thous.)	na	2,073.8	na	na	926.0	na
Utilities						
Telephone Lines in Service (Mt. Bell)(residential)	458,054	449,101	2.0	457,425.0	448,621.2	2.0
Telephone Lines in Service (Mt. Bell)(nonresidential)	164,728	163,643	0.7	165,387.2	158,020.8	4.7
Electric Customers (residential)	435,655	424,239	2.7	432,880.7	417,540.8	3.7
Electric Customers (commercial)	42,604	41,427	2.8	42,266.3	40,342.7	4.8
Natural Gas Customers (residential & commercial)	417,970	408,238	2.4	418,334.8	408,788.7	2.3
Natural Gas Customers (industrial)	577	533	8.3	539.5	526.1	2.6

Utah Business Statistics

	July 1985	July 1984	% Change from Year Ago	12 Month Average 1985	12 Month Average 1984	12 Month Average % Chg.
Davis County						
Non-Ag. Employment (thous.)	51.8[r]	49.8	4.0	50.4	47.7	5.8
Unemployment Rate	4.0	4.6	-13.0	4.2	5.7	-25.8
Auth. Permit Construction (thous. of dol.)	14,884.1	15,373.4	-3.2	10,688.1	11,631.3	-8.1
New Dwelling Units (no.)	149	164	-9.1	133.5	198.8	-31.9
Postal Receipts[5] (thous. of dol.)	310.7	277.9	11.8	343.5	322.7	6.4
Electric Customers (residential)	33,808	30,753	9.9	32,760.8	30,219.0	8.4
Electric Customers (commercial)	2,486	2,307	7.8	2,443.2	2,296.3	6.4
Natural Gas Customers (residential)	43,957	42,162	4.3	43,383.0	41,695.7	4.0
Natural Gas Customers (industrial)	50	46	8.7	47.2	44.5	6.0
Telephone Lines in Service (Mt. Bell)(residential)	50,027	37,867	32.1	39,610.8	37,624.0	5.3
Telephone Lines in Service (Mt. Bell)(nonresidential)	9,566	6,918	38.3	7,524.6	6,673.4	12.8
Salt Lake County						
Non-Ag. Employment (thous.)	322.1[r]	313.1	2.9	321.2	306.3	4.9
Unemployment Rate	5.6	5.6	0.0	6.1	6.8	-9.1
Auth. Permit Construction (thous. of dol.)	88,178.5	95,688.4	-7.8	60,906.4	57,165.0	6.5
New Dwelling Units (no.)	475	1,361	-65.1	761.1	791.6	-3.9
Postal Receipts[5] (thous. of dol.)	6,222.3	5,753.9	8.1	6,846.0	6,330.9	8.1
Electric Customers (residential)	220,728	215,381	2.5	218,968.3	209,637.8	4.5
Electric Customers (commercial)	18,397	17,874	2.9	18,261.6	17,038.9	7.2
Natural Gas Customers (residential)	203,128	197,183	3.0	202,600.9	196,073.0	3.3
Natural Gas Customers (industrial)	265	239	10.9	246.9	239.1	3.3
Telephone Lines in Service (Mt. Bell)(residential)	216,207	211,316	2.3	214,626.0	210,174.5	2.1
Telephone Lines in Service (Mt. Bell)(nonresidential)	107,022	108,002	-0.9	108,528.1	104,227.6	4.1
Utah County						
Non-Ag. Employment (thous.)	68.6[r]	66.4	3.3	70.0	66.5	5.2
Unemployment Rate	5.9	6.0	-1.7	7.0	7.4	-5.2
Auth. Permit Construction (thous. of dol.)	11,191.5	14,503.7	-22.8	13,011.1	10,525.0	23.6
New Dwelling Units (no.)	88	226	-61.1	78.1	129.8	-39.8
Postal Receipts[5] (thous. of dol.)	798.3	709.1	12.6	891.1	793.3	12.3
Electric Customers (residential)	47,523	46,554	2.1	47,861.1	46,790.7	2.3
Electric Customers (commercial)	5,663	5,507	2.8	5,633.3	5,438.3	3.6
Natural Gas Customers (residential)	57,480	56,671	1.4	58,170.5	56,763.3	2.5
Natural Gas Customers (industrial)	71	68	4.4	68.0	65.3	4.1
Telephone Lines in Service (Mt. Bell)(residential)	59,088	58,700	0.7	60,857.4	60,213.7	1.1
Telephone Lines in Service (Mt. Bell)(nonresidential)	14,595	14,494	0.7	14,651.3	13,787.0	6.3
Weber County						
Non-Ag. Employment (thous.)	55.6[r]	53.6	3.7	55.7	51.7	7.6
Unemployment Rate	5.9	6.9	-14.5	6.4	8.3	-22.5
Auth. Permit Construction (thous. of dol.)	11,576.7	12,667.5	-8.6	8,374.6	11,000.5	-23.9
New Dwelling Units (no.)	50	82	-39.0	74.3	70.9	4.8
Postal Receipts[5] (thous. of dol.)	531.0	456.7	16.3	587.0	555.4	5.7
Electric Customers (residential)	50,564	50,040	1.0	50,395.8	49,730.3	1.3
Electric Customers (commercial)	4,664	4,452	4.8	4,565.3	4,426.3	3.1
Natural Gas Customers (residential)	46,454	46,071	0.8	46,669.6	45,899.3	1.7
Natural Gas Customers (industrial)	85	78	9.0	77.1	76.4	0.9
Telephone Lines in Service (Mt. Bell)(residential)	44,912	44,450	1.0	44,772.6	44,169.4	1.4
Telephone Lines in Service (Mt. Bell)(nonresidential)	10,371	10,274	0.9	10,272.1	10,024.3	2.5

Sources:
Personal Income: U.S. Department of Commerce, Bureau of Economic Analysis
New Corporations: Utah Secretary of State
New Cars and Truck Sales: Utah State Tax Commission, Economic and Statistical Unit
Agriculture: Utah Agriculture, U.S. Department of Agriculture, Utah Crop and Livestock Reporting Service U.S. Department of Agriculture)
Construction Data: F.W. Dodge and Utah Construction Report
Employment Data: Utah Department of Employment Security
Savings, Savings and Loan Associations: Utah Savings and Loan Institutions
Tax Collections: Utah State Tax Commission
Net Electric Power Utilized: Cooperating Utah power companies
Crude Oil: Area oil refineries
Natural Gas: Utah Division of Oil, Gas, and Mining
Coal: Department of Energy
Air Passengers: Salt Lake International Airport, Statistics Service
Highway Traffic Count: Utah Department of Transportation, Travel Analysis Unit
Visits to State and National Parks and Monuments: U.S. Forest Service, Utah State Parks and Recreation Department
Utilities Data: Cooperating Utah utility companies
Postal Receipts: Postmasters in Davis, Salt Lake, Utah, and Weber Counties

Footnotes:
[1] Obtained from F.W. Dodge Statistics
[2] Obtained from Utah Construction Report
[3] Includes services by nonprofit and religious institutions
[4] Includes public schools and college institutions
[5] Postal receipts are reported every four weeks. Sales report for one month during each year includes total sales of two four-week periods. In 1984, this double-reporting occurred in the month of August.

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NATIONAL DATA

	July 1985	July 1984	% Change from Year Ago	12 Month Average 1985	12 Month Average 1984	% Chg.
U.S. Gross National Product[1] (seasonally adjusted)(bil.)(qtly.)	3,915.9[r]	3,694.6	6.0	3,797.7	3,523.1	7.8
Total Personal Income[1] (seasonally adjusted)(bil. of dol.)	3,188.4[r]	3,027.7	5.3	3,129.8	2,899.8	7.9
Industrial Production Indexes (seasonally adjusted)(1977=100)	124.1[r]	123.2	0.7	123.7	117.9	4.9
Total Bus. Expend. for New Plants & Equip.[1] (bil.)(qtly.)	389.5[a]	361.1	7.9	374.2	334.5	11.9
Index of Leading Indicators[2] (1967=100)	168.6[r]	163.9	2.9	166.3	164.5	1.1
Price Indexes						
Consumer Price Indexes (not seasonally adjusted)(1967=100):						
CPI-U (All Urban Consumers) All Items	322.8	311.7	3.6	317.7	305.9	3.8
CPI-U (All Urban Consumers) Food & Beverages	301.6	295.3	2.1	299.3	290.5	3.0
CPI-U (All Urban Consumers) Housing	351.6	338.1	4.0	344.2	330.5	4.2
CPI-U (All Urban Consumers) Transportation	321.8	312.9	2.8	317.1	307.5	3.1
CPI-U (All Urban Consumers) Medical Care	404.0	380.3	6.2	392.6	370.3	6.0
CPI-U (All Urban Consumers) Energy	437.1	428.3	2.1	424.7	423.4	0.3
Producer Price Index (not seasonally adjusted)(1967=100):						
Producer Price Index, All Finished Goods	294.8	292.3	0.9	292.5	289.1	1.2
GNP Price Deflator (1972=100)(qtly.)	231.9[r]	224.6	3.3	228.2	220.0	3.7
Employment (seasonally adjusted):						
Civilian Labor Force (mil.)	115.3	113.9	1.2	114.7	112.7	1.7
Total Employed Persons (mil.)	106.9	105.4	1.4	106.3	103.6	2.6
Unemployment Rate	7.3	7.5	-2.7	7.3	8.1	-10.1
Construction:						
Total Construction (mil. of dol.)	21,923.1	19,522.6	12.3	17,931.0	17,279.3	3.8
Residential	10,608.0	9,092.7	16.7	8,332.8	8,557.5	-2.6
Nonresidential	7,576.9	6,895.8	9.9	6,360.1	5,763.4	10.4
Non-Building	3,738.2	3,534.1	5.8	3,238.1	2,979.3	8.7
New Dwelling Units (no.)	179,680	160,212	12.2	138,345.9	154,000.3	-10.2
Interest Rates:						
Short Term (3-month Treasury Bill rate)	7.05	10.13	-30.4	8.5	9.3	-8.8
Long Term (30-year Treasury Bond yields)	10.51	12.82	-18.0	11.3	11.8	-4.4
Prime Rates Charged by Banks on Short-term Business Loans (ave.)	9.50	13.00	-26.9	11.1	11.5	-3.6
Mortgage Rates (new homes)	10.94	11.91	-8.1	11.7	11.8	-0.5

[p]Preliminary [r]Revised na - Not available [a]Anticipated [ra]Revised Anticipated [e]Expected [f]Forecasted

FOOTNOTES:

[1]The series on expenditures for new plant and equipment by U.S. nonfarm business has been revised for the period 1947 to date. These revisions reflect the source agency's introduction of new benchmarks, incorporation of information not available when the previously published estimates were prepared, and updating of industry and size classifications. Further information concerning these revisions may be obtained from the U.S. Department of Commerce, Bureau of Economic Analysis, Business Outlook Division, Business Conditions Digest, April 1985, p. iv.

[2]Excluding Series 36, 111.

Sources:

Business Conditions Digest, U.S. Department of Commerce: U.S. Gross National Product, Total National Personal Income, Industrial Production Indexes, Total Business Expenditures for New Plant and Equipment, Index of Leading Indicators, GNP Price Deflator, National Employment Data, Interest Rates.

F. W. Dodge Report, McGraw-Hill: National Construction Data.

Monthly Labor Review, U.S. Department of Labor: Producer Price Indexes.

Survey of Current Business, U.S. Department of Commerce: New Home Mortgage Rates.

Utah Labor Market Report, Utah Department of Employment Security: Consumer Price Indexes (data from Bureau of Labor Statistics).

Chase N. Peterson, *President, University of Utah*
Ivor E. Bradley, *Dean, Graduate School of Business*

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